

Financial Statements

**Bethany Township
Gratiot County, Michigan**

March 31, 2007



Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BETHANY TOWNSHIP	County GRATIOT
Fiscal Year End 3-31-2007	Opinion Date 8-14-2007	Date Audit Report Submitted to State 8-31-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

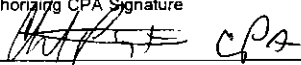
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE & COMPANY, PC, CPA'S		Telephone Number 989-463-6123	
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
		Zip 48801	
Authorizing CPA Signature 		Printed Name CHAD PAYTON, CPA	License Number 21946

Bethany Township
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MANAGEMENT'S DISCUSSION and ANALYSIS

**Bethany Township
Management's Discussion and Analysis
For the Fiscal Year Ended March 31, 2007**

As management of Bethany Township (the Township), we offer readers of the Township's financial statements, this narrative overview and analysis of the financial activities of the Township for the fiscal year ending March 31, 2007.

The management's discussion and analysis ("MD&A") is provided at the beginning of the audit and is intended to assist the reader in focusing on significant financial issues and provide an overview of the Township's financial activity. The Township encourages readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations.

- General fund - assets exceeded liabilities as of the close of the most recent fiscal year by \$511,069 (net assets). Of this amount, \$424,837 (unrestricted net assets) may be used to meet the Township's ongoing obligations accounted for in the general fund.
- General fund - net assets increased \$16,576.
- Sewer fund – assets exceeded liabilities as of the close of the most recent fiscal year by \$398,640 (net assets). Of this amount, \$70,460 (unrestricted net assets) may be used to meet the Township's ongoing obligations accounted for in the sewer fund.
- Sewer fund – net assets decreased \$21,883.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development. The major business-type activities of the Township include the sewer system.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers will better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the

governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The Township maintains one proprietary fund to account for its sewer system activities.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e. tax collection fund). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* as required by GASB statement 34 regarding the Township's budgetary comparison of the general fund. This supplementary information is contained behind its own tab following the notes to financial statements

Government-wide Financial Analysis

The Township passed a new special assessment during the year for trash removal, which significantly increased other revenue as well as related expenses recognized by the Township. These activities are all recorded in the Governmental Activities columns of the Government-wide financial statements. Also, the Township issued bonds during the year for the replacement of the Township's pump and force main. This liability and the related asset are recorded in the Business-Type Activities column of the Government-wide financial statements.

Major Governmental Funds Budgeting and Operating Highlights

The Township's budgets are prepared according to Michigan law. The only budgeted fund is the general fund.

During the fiscal year ended March 31, 2007, the Township did not amend its budget for the general fund.

The general fund actual revenue was \$273,714. That amount is above the budget of \$214,000. The largest portion of the variance between actual and budgeted revenues was the result of a new special assessment revenue stream for trash removal.

The actual expenditures of the general fund were \$254,153, which is above the original budget of \$197,000. The variance was due to new expenses related to trash pick-up as well as additional projects for road resurfacing.

Governmental funds - The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance represents 167% of total general fund expenditures.

Capital Assets

Capital Assets – At the end of the fiscal year, the Township had \$1,218,022 invested in land, buildings, equipment, and the sewer system. Of this amount, \$558,610 in depreciation has been taken over the years. The Township has net capital assets of \$659,412. A new well was drilled for the Township hall and the associated costs were capitalized during the year in the General fund totaling \$1,105. There was a substantial replacement to the Township's pump and force main which was capitalized during the year in the proprietary fund totaling \$343,920.

Additional information on the Township's capital assets can be found on page 19 of this report.

Economic Factors and Next Year's Budget

The continual sluggish economy in the State of Michigan has placed state revenue sharing in jeopardy of being reduced to local governmental entities.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Bethany Township in Gratiot County, Michigan.



INDEPENDENT AUDITOR'S REPORT

Bethany Township
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bethany Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bethany Township, as of March 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2007, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 14, 2007

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Bethany Township
Government Wide Statement of Net Assets
March 31, 2007

	PRIMARY GOVERNMENT		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$404,856	\$123,307	\$528,163
Taxes receivable	7,054	339	7,393
Accounts receivable - net	-	2,390	2,390
Due from other governments	32,854	-	32,854
Total current assets	444,764	126,036	570,800
Noncurrent Assets			
Capital assets - net	86,232	573,180	659,412
Total assets	530,996	699,216	1,230,212
LIABILITIES			
Current Liabilities			
Accounts payable	19,927	55,576	75,503
Current portion of bonds payable	-	10,000	10,000
Total current liabilities	19,927	65,576	85,503
Noncurrent Liabilities			
Bonds payable	-	235,000	235,000
Total liabilities	19,927	300,576	320,503
NET ASSETS			
Invested in capital assets, net of related debt	86,232	328,180	414,412
Unrestricted	424,837	70,460	495,297
Total net assets	\$511,069	\$398,640	\$909,709

See Accompanying Notes To Financial Statements

Bethany Township
Government Wide Statement of Activities
For The Year Ended March 31, 2007

Functions / Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
General government	\$73,993	-	-	(\$73,993)	-	(\$73,993)
Public safety	50,525	-	-	(50,525)	-	(50,525)
Public works	119,742	-	-	(119,742)	-	(119,742)
Community and economic development	7,040	\$1,785	-	(5,255)	-	(5,255)
Other expenses	5,838	-	-	(5,838)	-	(5,838)
Total governmental activities	257,138	1,785	-	(255,353)	-	(255,353)
Business-type activities						
Sewer	45,304	21,857	-	-	(\$23,447)	(23,447)
Total primary government	\$302,442	\$23,642	-	(255,353)	(23,447)	(278,800)
General Revenues						
Property taxes				49,421	-	49,421
State grants				139,730	-	139,730
Local unit revenues				16,290	-	16,290
Unrestricted investment earnings				6,107	1,564	7,671
Miscellaneous				60,381	-	60,381
Total general revenues				271,929	1,564	273,493
Change in net assets				16,576	(21,883)	(5,307)
Net assets - beginning of year				494,493	420,523	915,016
Net assets - end of year				\$511,069	\$398,640	\$909,709

See Accompanying Notes To Financial Statements

FUND FINANCIAL STATEMENTS

Bethany Township
Balance Sheet - Governmental Funds
March 31, 2007

General
Fund

ASSETS

Cash and cash equivalents	\$404,856
Taxes receivable	7,054
Due from other governments	<u>32,854</u>
Total assets	<u><u>\$444,764</u></u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	<u>\$19,927</u>
Total liabilities	<u>19,927</u>
Fund balances	
Unreserved, undesignated	<u>424,837</u>
Total liabilities and fund balances	<u><u>\$444,764</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For the Year Ended March 31, 2007

Total fund balance - governmental funds	\$424,837
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	159,895
Deduct: accumulated depreciation	<u>(73,663)</u>
Net assets of governmental activities	<u><u>\$511,069</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended March 31, 2007

	General <u>Fund</u>
Revenues	
Taxes and penalties	\$49,421
Licenses and permits	1,785
State grants	139,730
Contributions from local units	16,290
Interest and rentals	6,107
Other revenues	<u>60,381</u>
Total revenues	<u>273,714</u>
Expenditures	
Current	
General government	69,903
Public safety	50,525
Public works	119,742
Community and economic development	7,040
Other	5,838
Capital outlay	<u>1,105</u>
Total expenditures	<u>254,153</u>
Excess of revenues over (under) expenditures	19,561
Fund Balance, beginning of year	<u>405,276</u>
Fund Balance, end of year	<u><u>\$424,837</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - total governmental funds	\$19,561
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	1,105
Deduct: depreciation expense	<u>(4,090)</u>
Change in net assets of governmental activities	<u><u>\$16,576</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Statement of Net Assets
Proprietary Funds
March 31, 2007

	Business-Type Activities Enterprise Funds
	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$123,307
Taxes receivable	339
Accounts receivable - net	<u>2,390</u>
Total current assets	<u>126,036</u>
Noncurrent assets	
Capital assets	1,058,127
Less: accumulated depreciation	<u>(484,947)</u>
Total noncurrent assets	<u>573,180</u>
Total assets	<u>699,216</u>
Liabilities	
Current liabilities	
Accounts payable	55,576
Current portion of bonds payable	<u>10,000</u>
Total current liabilities	<u>65,576</u>
Noncurrent liabilities	
Bonds payable	<u>235,000</u>
Total liabilities	<u>300,576</u>
Net assets	
Invested in capital assets, net of related debt	328,180
Unrestricted	<u>70,460</u>
Total net assets	<u><u>\$398,640</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended March 31, 2007

	Business-Type Activities Enterprise Funds
	Sewer Fund
Operating revenues	
Sewer disposal services	\$21,857
Total operating revenues	21,857
Operating expenses	
Contractual services	13,002
Depreciation	25,737
Total operating expenses	38,739
Operating income (loss)	(16,882)
Nonoperating revenues (expenses)	
Interest revenue	1,564
Interest expense	(6,565)
Total nonoperating income (loss)	(5,001)
Change in net assets	(21,883)
Total net assets, beginning of year	420,523
Total net assets, end of year	\$398,640

See Accompanying Notes To Financial Statements

Bethany Township
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2007

	Business-Type Activities Enterprise Funds
	Sewer Fund
Cash flows from operating activities	
Receipts from customers	\$20,378
Payments to suppliers / outsiders	<u>(13,694)</u>
Net cash provided by operating activities	<u>6,684</u>
Cash flows from investing activities	
Capital outlay	(289,920)
Interest revenue	<u>1,564</u>
Net cash provided (used) by investing activities	(288,356)
Cash flows from financing activities	
Bond proceeds	245,000
Interest expense	<u>(6,565)</u>
Net cash provided by financing activities	238,435
Net increase (decrease) in cash and cash equivalents	(43,237)
Cash and cash equivalents, beginning of year	<u>166,544</u>
Cash and cash equivalents, end of year	<u><u>\$123,307</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by Operating Activities	
Operating income (loss)	(\$16,882)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	25,737
Change in assets and liabilities	
Taxes receivable	(22)
Accounts receivable - net	(1,457)
Accounts payable - operations	<u>(692)</u>
Net cash provided by operating activities	<u><u>\$6,684</u></u>

See Accompanying Notes To Financial Statements

Bethany Township
Statement of Net Assets
Fiduciary Funds
March 31, 2007

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$5,216</u>
Total assets	<u><u>\$5,216</u></u>
Liabilities	
Due to other governmental units	<u>\$5,216</u>
Total liabilities	<u><u>\$5,216</u></u>

See Accompanying Notes To Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Bethany Township
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Bethany Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

Joint Ventures

Mid-Michigan Community Fire Control Board – The Township is a member of the Mid-Michigan Community Fire Control Board which is a joint venture between the City of St. Louis, Bethany Township, Pine River Township and Jasper Township. The Fire Board provides fire protection services to its members of local governments. The City and Townships each appoint one member to the joint venture's governing board. This board then determines and approves the annual budget.

The Township makes annual contributions to the Fire Board based on a formula using the average of the last 4 years of fire runs to determine the percentage cost applicable to each participating unit.

For the period July 1, 2006 through June 30, 2007, the Township's contribution to the Board was \$43,069.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2007 can be obtained by writing to: Mid-Michigan Community Fire Board, 108 W. Saginaw, St. Louis, Michigan 48880.

Bethany Township
Notes to Financial Statements
March 31, 2007

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Bethany Township
Notes to Financial Statements
March 31, 2007

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Proprietary Fund Financial Statements - The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for services provided. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Bethany Township
Notes to Financial Statements
March 31, 2007

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Funds - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds - The Sewer Fund accounts for the activities of the sewage collection system.

Budgetary Data

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For Township operations, the 2006 Taxable Valuation of the Township totaled \$38,172,049, on which .9320 mills were levied.

The total 2006 levy for the Township was \$35,572.

Bethany Township
Notes to Financial Statements
March 31, 2007

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

Receivables

Receivables have been recognized for all significant amounts due the Township as of March 31st. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental and proprietary fund types.

Bethany Township
Notes to Financial Statements
March 31, 2007

Capital Assets

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets of the proprietary funds are reported in the statement of net assets of the proprietary funds. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Applicable – Not Depreciated
Equipment	5 – 10
Buildings	50
Sewer System	40

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Bethany Township
Notes to Financial Statements
March 31, 2007

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2007, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.

NOTE 3 - DETAILED NOTES

Cash and Cash Equivalents

At March 31, 2007, the carrying amount of the Township's cash and cash equivalents was \$528,163 as follows:

Cash Deposits	\$520,663
Certificate of Deposit	7,500
Total	\$528,163

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2007, the carrying amount of the Township's deposits was \$528,163, and the bank balance was \$528,460. Of the bank balance, \$107,500 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of March 31, 2007, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Bethany Township
Notes to Financial Statements
March 31, 2007

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

Bethany Township
Notes to Financial Statements
March 31, 2007

Capital Assets

A summary of changes in general fund capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$1,000	-	-	\$1,000
Buildings	145,227	-	-	145,227
Equipment	12,563	\$1,105	-	13,668
Sub-totals	158,790	1,105	-	159,895
Accumulated Depreciation	(69,573)	(4,090)	-	(73,663)
Totals	\$89,217	(\$2,985)	-	\$86,232

Depreciation expense was charged to the general government function.

A summary of changes in proprietary fund capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Sewer System	\$714,207	\$343,920	-	\$1,058,127
Accumulated Depreciation	(459,210)	(25,737)	-	(484,947)
Totals	\$254,997	\$318,183	-	\$573,180

Bethany Township
Notes to Financial Statements
March 31, 2007

Long-Term Debt

During the 2007 year, the Township issued capital improvement bonds in order to help fund a major replacement to the sewer system. Principle payments range between \$10,000 and \$20,000 per year and interest ranges between 3.60% and 5.20%. As of March 31, 2007, the balance of this bond payable is \$245,000.

The annual installments to pay principal and interest on capital improvement bonds outstanding at March 31, 2007 are as follows, including total interest payments of \$127,715.

Year Ended March 31,	Amount
2008	\$20,660
2009	20,293
2010	19,915
2011	19,530
2012	19,138
2013 – 2017	89,588
2018 – 2022	92,928
2023 – 2027	90,663

The changes in long-term liabilities during the 2007 fiscal year are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Improvement Bonds	\$-	\$245,000	\$-	\$245,000

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

Bethany Township
Notes to Financial Statements
March 31, 2007

Employees Retirement System – Defined Contribution Pension Plan

Plan Description

Bethany Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Bethany Township Group Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2006, the pension plan's current membership was 7 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

Funding Policy

Employer contributions for each participant will be 15% of compensation. Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$5,041.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

REQUIRED SUPPLEMENTAL INFORMATION

Bethany Township
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>			Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and penalties	\$45,000	\$45,000	\$49,421	\$4,421
Licenses and permits	1,000	1,000	1,785	785
State grants	143,000	143,000	139,730	(3,270)
Contributions from local units	16,000	16,000	16,290	290
Interest and rentals	8,000	8,000	6,107	(1,893)
Other revenues	<u>1,000</u>	<u>1,000</u>	<u>60,381</u>	<u>59,381</u>
Total revenues	<u>214,000</u>	<u>214,000</u>	<u>273,714</u>	<u>59,714</u>
Expenditures				
Current				
General government	78,000	78,000	69,903	8,097
Public safety	46,000	46,000	50,525	(4,525)
Public works	58,000	58,000	119,742	(61,742)
Community and economic development	15,000	15,000	7,040	7,960
Other	-	-	5,838	(5,838)
Capital Outlay	<u>-</u>	<u>-</u>	<u>1,105</u>	<u>(1,105)</u>
Total expenditures	<u>197,000</u>	<u>197,000</u>	<u>254,153</u>	<u>(57,153)</u>
Excess of revenues over (under) expenditures	17,000	17,000	19,561	2,561
Fund Balance, beginning of year	<u>405,276</u>	<u>405,276</u>	<u>405,276</u>	<u>-</u>
Fund Balance, end of year	<u><u>\$422,276</u></u>	<u><u>\$422,276</u></u>	<u><u>\$424,837</u></u>	<u><u>\$2,561</u></u>

See Accompanying Notes To Financial Statements

OTHER SUPPLEMENTAL INFORMATION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Township Board
Bethany Township
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Bethany Township (the Township) as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described as 2007-1 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2007-1, is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Township in a separate letter dated August 14, 2007.

Bethany Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Bethany Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Township Board and is not intended to be and should not be used by anyone other than the specified party.

Roslund, Prestage & Company, P.C.
Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 14, 2007

Schedule of Findings and Responses

Finding 2007-1

Finding considered a significant deficiency

The annual financial statements for the year ended March 31, 2007, required relatively few audit adjustments, most of which the staff were aware needed to be recorded. Effective for the year ended March 31, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



Management Letter

Members of the Board
Bethany Township, Michigan

In planning and performing our audit of the financial statements of Bethany Township for the year ended March 31, 2007, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated August 14, 2007, on the financial statements of Bethany Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Company, P.C.
Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 14, 2007

Organizational Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Officials remain involved in the financial affairs of the organization to provide oversight and independent review functions.

Additionally, we recommend all Township officials review on a regular basis, the monthly bank statements, actual disbursement checks and deposit tickets, and related bank reconciliation forms.

Have Management Review Bank Statements

At present, accounting personnel perform bank reconciliations. We recommend that an independent Township Board member open the bank statements and review and sign them for any unusual checks or other transactions before giving them to accounting to perform the reconciliation. Management's review of the bank statement will ensure that unusual items are investigated on a timely basis.

Cancel Invoices and Supporting Documents

During our disbursement test we noted that several invoices were not marked as paid. Thus, the invoices are susceptible to unintentional duplicate payment. A simple control against this is to mark the invoices as "PAID" while they are in the custody of the check preparer or signer. There should also be a notation of the check number, date and initials of the person who checked the invoice detail and approved it for payment. Such a procedure would add little time to the bill-paying process but would serve as a reminder to the bill processor of steps to be performed, an indication to the check signer that those steps were done, and prevention against repayment of the invoice.

Invoices not Readily Available

During our disbursement test we noted that several expenses did not have supporting invoices readily available in the file. We strongly suggest that no payments be made without supporting documentation and that invoices that are paid are stored in an organized manner that would make the information easily accessible to any member of the Board or Township employee.